

Message Text

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ACTION EA-09

INFO OCT-01 ARA-06 EUR-12 ISO-00 AGR-05 CIAE-00 DODE-00

PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01

SP-02 SS-15 USIA-06 OMB-01 SAJ-01 SAM-01 TRSE-00 EB-07

COME-00 /089 W

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R 150128Z JAN 76

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 8733

INFO AOEMBASSY BUENOS AIRES 055

AMEMBASSY CANBERRA

AMEMBASSY MANILA

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY SINGAPORE

AMEMBASSY ROME

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

USLO PEKING

C O N F I D E N T I A L HONG KONG 0511

MANILA PASS TREASURY REPRESENTATIVE

E.O. 11652: GDS

TAGS: ETRD, EPAP, EFIN, CH, AS, CA

SUBJECT: PRC GRAIN IMPORTS IN 1975 AND OUTLOOK FOR 1976

SUMMARY: WITHOUT DOUBT REFLECTING GOOD HARVESTS AND CONTINUED FOREIGN EXCHANGE CONSTRAINTS, THE PRC MAY HAVE REDUCED GRAIN IMPORTS IN CY 1975 EVEN MORE SHARPLY THAN FIRST THOUGHT, ACCORDING TO OUR LATEST ESTIMATES. ALTHOUGH ESTIMATES MADE IN EARLY 1975 INDICATED THAT UP TO 4.0 MILLION METRIC TONS (MMT) OF GRAIN WITH AN ESTIMATED VALUE OF APPROXIMATELY US \$740 MILLION MIGHT BE IMPORTED DURING CY 1975, WE NOW ESTIMATE THAT PRC'S GRAIN IMPORTS FROM CANADA, AUSTRALIA AND ARGENTINA
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PROBABLY FELL WITHIN A RANGE OF 3.1 TO 3.5 MMT, WITH A

MID-POINT ESTIMATE OF 3.3 MMT. THE VALUE RANGE IS BETWEEN \$485 - \$545 MILLION, WITH A RANGE MID-POINT VALUE OF \$515 MILLION. GRAIN IMPORTS IN 1976 WILL PROBABLY BE EVEN LOWER, PERHAPS AMOUNTING TO ABOUT 3.0 MMT IF PRESENT INDICATIONS ARE BORNE OUT. END SUMMARY

1. BEGIN UNCLASSIFIED. WITHOUT DOUBT REFLECTING CONTINUED GOOD HARVESTS SINCE 1972'S DROUGHT AS WELL AS CONTINUED FOREIGN EXCHANGE CONSTRAINTS, THE PRC APPEARS TO HAVE REDUCED GRAIN IMPORTS IN 1975 EVEN MORE SEVERELY THAN FIRST THOUGHT, ACCORDING TO OUR LATEST ESTIMATES. THOSE ESTIMATES ARE AS FOLLOWS:

	TOTAL	CANADA	AUSTRALIA	ARGENTINA
1975 ESTIMATED	3.1 TO 3.5	1.7-1.9	1.2-1.4	0.17
RANGE	MMT	MMT	MMT	MMT
(MILLION MT)				

RANGE MID-POINT	3.3 MMT	1.8 MMT	1.3 MMT	0.17 MMT
ESTIMATE				

1975 ESTIMATED	\$485-545	\$265-295	\$195-225	\$25
VALUE RANGE				
(\$ MILLIONS)				

RANGE MID-POINT	\$515	\$280	\$210	\$25
ESTIMATE				

1975 ACTUAL VOLUME				
JAN THRU LATEST	N/A	1.6 MMT	1.1 MMT	0.17MMT
MONTH)	(SEPT)	(NOV)	(JUNE)	

1976 ESTIMATED				
VOLUME	3.0 MMT	1.5 MMT	1.5 MMT	NONE

ALL OF CY 1975 ESTIMATED GRAIN IMPORTS CONSISTED OF WHEAT, EXCEPT 107,000 MT OF CORN FROM ARGENTINA. 1975 AUSTRALIAN GRAIN SHIPMENTS ESTIMATE OBTAINED FROM JIO PAPER DATED DECEMBER 10, 1975. CANADIAN ESTIMATE BASED ON PARTIAL TRADE DATA. END UNCLASSIFIED
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2. BEGIN CONFIDENTIAL. THE AUSTRALIAN WHEAT BOARD DELEGATION IS SCHEDULED TO TRAVEL TO PEKING VIA TOKYO ON JANUARY 17 ACCORDING TO THE AUSTRALIAN EMBASSY PEKING COMMERCIAL COUNSELOR NOW IN HONG KONG. THE CANADIAN COMMISSION HERE KNOWS NOTHING OF CANADIAN WHEAT BOARD PLANS, BUT AN OFFICIAL OF THE EAST ASIATIC COMPANY, WHICH MAINTAINS A PERMANENT OFFICE IN PEKING, ASSERTED JANUARY 13 THAT THE

CWB DELEGATION IS IN PEKING NOW. THOUGH USUALLY NEITHER EMBASSY IS KEPT INFORMED BY THEIR RESPECTIVE WHEAT BOARDS OF THE PROGRESS OF THE NEGOTIATIONS, THEY USUALLY DO KNOW IN ADVANCE OF TRAVEL PLANS. PRESENT CONTRACTS WITH BOTH BOARDS CALL FOR WHEAT SHIPMENTS OF APPROXIMATELY 300,000 MT FROM CANADA AND 250,000 MT FROM AUSTRALIA TO BE SHIPPED FROM JANUARY THROUGH MARCH 1976. END CONFIDENTIAL

3. BEGIN UNCLASSIFIED. UNDER THE PRESENT LONG-TERM COMMODITY AGREEMENTS, CHINA NATIONAL CEREALS OILS AND FOODSTUFFS CORPORATION (CEROILFOOD) IS COMMITTED OVER A THREE-YEAR PERIOD TO IMPORT FROM 4.1 TO 4.7 MMT OF WHEAT FROM AUSTRALIA, AND FROM 4.9 TO 6.1 MMT OF WHEAT FROM CANADA, BOTH AGREEMENTS COVERING CALENDAR YEARS 1974 THROUGH 1976. STILL OUTSTANDING UNDER THE CONTRACTS ARE MINIMUM PURCHASES OF 1.8 MMT FROM CANADA AND 1.5 MMT FROM AUSTRALIA (WITH THE ADDITIONAL 500,000 TONS PURCHASED FROM AUSTRALIA IN JULY 1974 NOW COUNTED BY THE XLB AS WITHIN THE LONG-TERM CONTRACT. COMPLETION OF THE LONG-TERM CONTRACTS MIGHT BE STRETCHED OUT UNTIL MID-1977. THIS WOULD STRETCH OUT THE FOREIGN EXCHANGE COSTS AS WELL FOR THE CHINESE. WITH THE RUSSIANS BUYING HEAVILY FROM BOTH CANADA AND AUSTRALIA, THE TWO WHEAT BOARDS MIGHT WELL NOT OBJECT TO THE DEVELOPMENT, PROVIDING THE CHINESE GIVE SUFFICIENT ADVANCE WARNING TO ALLOW FURTHER SALES TO THE RUSSIANS OR OTHER MARKETS.

4. ALTHOUGH THIS REDUCTION IN GRAIN IMPORTS WILL HAVE AN IMMEDIATE FAVORABLE IMPACT ON THE PRC'S 1975 BALANCE OF PAYMENTS CURRENT ACCOUNT, THE EFFECT ON THE PRC'S 1975 CAPITAL ACCOUNT WILL BE LESS SINCE THE PRC USUALLY PURCHASES GRAIN FROM CANADA ON 18 MONTHS' CREDIT AND FROM AUSTRALIA ON 12 MONTHS' CREDIT. THEREFORE, IN ITS 1975 CONFIDENTIAL

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CAPITAL ACCOUNT THE PRC WILL HAVE TO PROVIDE FOR PAYMENTS OF THAT PORTION (2.5 MMT) OF THE CY 1973 RECORD 7.7 MMT OF IMPORTED GRAIN WHICH WAS FINANCED FOR 18 MONTHS AND THAT PORTION (1.4 MMT) OF 1974'S 6.9 MMT FINANCED FOR 12 MONTHS.

5. IN SPITE OF GOOD HARVESTS, AND THE REDUCTION IN THE GRAIN IMPORT LEVEL COMPARED TO 1974'S 6.9 MMT, WE DO NOT EXPECT THE PRC TO WITHDRAW ENTIRELY FROM THE INTERNATIONAL GRAIN MARKET OVER THE NEXT TWO TO THREE YEARS. THE EVIDENCE TO DATE, HOWEVER, SUGGESTS THAT THE LEVEL OF IMPORTS IN 1975 AND 1976 MAY BE SETTLING AT A LOWER LEVEL THAN WHEN THE 4 MILLION METRIC TON LEVEL WHICH CHARACTERIZED THE 1967-1970 PERIOD.

6. WE WOULD APPRECIATE RECEIVING GRAIN EXPORT STATISTICS FROM CANBERRA AND OTTAWA AS THEY BECOME AVAILABLE.

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